

The Latest on BEPS and Beyond

September 2026

EY Tax News Update

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Highlights

While businesses were busy with the challenges of the first Pillar Two Global Anti-Base Erosion (GloBE) Information Return (GIR) filings, there were also renewed developments on Pillar One, with plans for discussion at the Organisation for Economic Co-operation and Development (OECD)/G20 Inclusive Framework level. The taxation of digital services featured prominently on the agenda at the national level, in the European Union (EU) and at the United Nations (UN) as well.

Continued interest at the national level is evidenced by pending proposals for unilateral measures. For example, the Polish government is currently consulting with the public on a [draft digital tax proposal](#). Continued interest is also evident among Members of the European Parliament, who have [called](#) for consideration of a digital levy as a new "EU own resource" in the ongoing negotiations on an expanded EU budget. Last week (7 September 2026), European Commission officials [confirmed](#) that the Commission has been examining possible options and assessing the experiences of Member States that already apply digital services taxes. These developments suggest that digital taxation remains an active policy priority in some jurisdictions, notwithstanding ongoing international discussions.



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As reported in this edition of *The Latest on BEPS and Beyond*, the UN held negotiations on detailed proposals for the UN Framework Convention on International Tax Cooperation. Specifically, regarding [Protocol 1](#), the Intergovernmental Negotiating Committee considered draft provisions on the taxation of cross-border services, including income from automated digital services. These negotiations remain far from conclusion. However, the discussions demonstrate continued support among a large group of UN members for expanding the taxing rights of market and source jurisdictions and may prove influential in the development of country-level policies.

Meanwhile, renewed discussions regarding the OECD process have mainly continued among Group of Seven (G7) countries after they [committed](#) to a “constructive dialogue” on the taxation of the digital economy. However, progress appears gradual. The principal deliverable announced for this year is work that would diagnose the issues and identify possible directions for future work, with any solutions to be found within the existing international framework. This suggests that an OECD-level solution, if any, may take time to develop.

The timeline may become increasingly important, as political interest in taxing digital activities has not diminished and the digitalized economy continues to rapidly evolve, including through artificial intelligence (AI)-driven business models. The question is whether jurisdictions currently considering unilateral measures will be willing to wait for multilateral discussions to produce tangible outcomes.

This may become a significant challenge in the period ahead. While international discussions continue, more jurisdictions may consider pursuing their own approaches. The result could be a more fragmented international tax landscape, with greater risks of overlapping tax obligations and disputes. For businesses, these developments will be an important area to monitor in the months ahead.

BEPS 2.0

OECD

OECD updates list of MCAA GIR signatories

On 8 September 2026, the OECD published an [updated list](#) of jurisdictions that have signed the Multilateral Competent Authority Agreement on the Exchange of GloBE Information Returns (GIR MCAA). According to the update, Thailand signed the agreement in August 2026, bringing the total number of signatories to 39.

The GIR MCAA provides the legal framework for the automatic exchange of GloBE Information Return information between participating jurisdictions.

OECD releases package to support consistent implementation and application of Pillar Two

On 11 September 2026, the OECD [released](#) a package of documents to support the implementation of the global minimum tax, including a framework for full legislative reviews, an updated GloBE GIR, and further Administrative Guidance on the application of the GloBE Rules.

The [Terms of Reference and Methodology for the Full Legislative Review](#) establish the framework that Inclusive Framework members will use to assess whether jurisdictions’ implementing legislation is consistent with the GloBE Model Rules and Commentary. The review process is intended to promote consistent implementation across jurisdictions, provide greater tax certainty and reduce compliance costs for businesses.

The [updated GIR](#) incorporates the simplifications agreed by the Inclusive Framework as part of the Side-by-Side Package in January 2026. The changes apply only to GIRs for fiscal years beginning on or after 31 December 2025. The OECD is also developing a revised XML Schema to reflect the agreed revisions.

The OECD also released further [Administrative Guidance](#) addressing the treatment of Explicitly Conditional Taxes and the use of local financial accounting standards under a Qualified Domestic Minimum Top-up Tax (QDMTT). The guidance confirms that taxes applying only if a taxpayer is subject to an Income Inclusion Rule (IIR) or Undertaxed

Profits Rule (UTPR) in another jurisdiction are not treated as Covered Taxes. In addition, the guidance clarifies that the QDMTT Safe Harbour may continue to apply where a QDMTT is calculated using local financial accounting standards and the required QDMTT fiscal period does not align with the ultimate parent entity's fiscal year.

Country developments

Curacao implements an IIR

On 1 September 2026, the Parliament of Curaçao passed the Minimum Tax Ordinance (the Ordinance), implementing the OECD Pillar Two framework in Curaçao.

Curaçao's Pillar Two legislation provides for an IIR that applies only to low-taxed group entities located outside Curaçao, referred to as a non-domestic IIR. It does not provide for a QDMTT or a UTPR. The IIR is expected to apply to fiscal years beginning on or after 1 January 2025. The Ordinance will formally enter into force upon publication in the *Official Gazette*.

The Ordinance also incorporates the OECD's Side-by-Side (SbS) Package, which, among other things, introduces a safe harbor for multinational groups whose ultimate parent entity (UPE) is located in a jurisdiction with a qualifying equivalent minimum tax system. To qualify, the UPE jurisdiction must have a qualifying domestic tax system, a qualifying worldwide tax system and rules allowing foreign income taxes to be credited. The SbS Safe Harbour applies to fiscal years beginning on or after 1 January 2026.

Alongside the SbS Package, the second memorandum of amendment introduced a package of technical amendments that align the Curaçao legislation with recent international developments. These amendments apply, in principle, to fiscal years beginning on or after 1 January 2027. However, taxpayers may elect to apply the package retroactively from 1 January 2025. The election applies to the package as a whole and cannot be made separately for individual amendments.

See EY Global Tax Alert, [Curacao Parliament passes Pillar Two legislation](#), dated 2 September 2026.

Cyprus releases public consultation to implement a QDMTT

On 30 July 2026, the Cyprus Ministry of Finance launched a public consultation on proposed amendments to the Pillar Two legislation. The amendments were developed following observations from the European Commission regarding Cyprus's implementation of the EU Minimum Tax Directive and also seek to further align the domestic rules with OECD Pillar Two guidance.

A key feature of the proposal is the introduction of a QDMTT applicable for fiscal years starting on or after 31 December 2025.

In addition, the draft legislation contains several technical amendments intended to align the Cypriot regime with the OECD QDMTT framework, including changes relating to administrative provisions, information reporting requirements and the treatment of the allocation of covered taxes for certain entities and permanent establishments.

The consultation document is open until 5 September 2026.

Luxembourg submits draft law to Parliament to introduce Side-by-Side Package.

On 17 July 2026, the Luxembourg government transmitted to Parliament a [draft law](#) (Draft Law) that modifies the Pillar Two Law. The Draft Law would implement the additional guidance contained in the OECD Inclusive Framework's comprehensive SbS Package.

The Draft Law would, among other things: introduce the SbS Safe Harbour, Ultimate Parent Entity (UPE) Safe Harbour and permanent Simplified Effective Tax Rate (ETR) Safe Harbour; extend the Transitional Country-by-Country Reporting (CbCR) Safe Harbour; and incorporate the Substance-based Tax Incentive (SBTI) Safe Harbour. The Draft Law would also incorporate the OECD Administrative Guidance, released in May 2026, on applying the existing Transitional UTPR Safe Harbour to MNE groups with 52- or 53-week fiscal years.

The Draft Law provides for different effective dates depending on the measure concerned. While the SbS, UPE and SBTI Safe Harbours would generally apply to fiscal years beginning on or after 1 January 2026, the Simplified ETR Safe Harbour would generally apply from fiscal years beginning on or after 31 December 2026.

See EY Global Tax Alert, [Luxembourg proposes further changes to Pillar Two law to implement OECD Side-by-Side Package](#), dated 12 August 2026.

Monaco releases draft legislation to implement a QDMTT

On 28 July 2026, Monaco submitted draft legislation to National Council to implement Pillar Two. The proposal would introduce a QDMTT for fiscal years beginning on or after 31 December 2026.

The draft legislation would largely follow the OECD Model Rules and includes the Transitional CbCR Safe Harbour. It would also incorporate elements of the OECD's SbS Package, including the Simplified ETR Safe Harbour and the SBTI Safe Harbour.

The proposal does not include an IIR or a UTPR.

Qatar launches Pillar Two registration portal

On 2 August 2026, Qatar's General Tax Authority (GTA) [activated](#) the Pillar Two (Global and Domestic Minimum Tax) registration and notification functionality on the Dhareeba tax portal, requiring in-scope multinational enterprise groups (MNE Groups) and qualifying joint venture groups to register and complete notification requirements.

For fiscal years beginning in 2025, the Designated Local Entity (DLE) must complete the initial registration and notification process within three months from the GTA's announcement of the launch of the service, resulting in an initial compliance deadline of 2 November 2026. The registration requirements apply to all Qatar entities that are within the scope of Pillar Two.

In-scope groups should appoint a DLE to fulfill registration, notification, filing and payment obligations and must renew their registration annually within six months after the end of the group's fiscal year.

Failure to comply with registration, notification, filing, payment, record-keeping and information requests may trigger penalties, including fines for failure to register, late filing and late payment of top-up taxes.

See EY Global Tax Alert, [Qatar launches Pillar Two registration and notification service through Dhareeba portal](#), dated 6 August 2026.

South Korea releases draft proposal to incorporate SbS Package into domestic law

On 3 August 2026, South Korea's Ministry of Finance and Economy issued its [2026 Tax Reforms Proposal](#), which aims to incorporate the OECD's SbS Package into domestic legislation.

Key proposals include the introduction of a SbS Safe Harbour, UPE Safe Harbour and Substance Based Tax Incentives Safe Harbour for fiscal years beginning on or after 1 January 2026. A Simplified ETR Safe Harbour is proposed for fiscal years beginning on or after 31 December 2026.

The Proposal also extends the Transitional UTPR Safe Harbour period from fiscal years ending on or before 30 December 2026 to fiscal years ending on or before 3 January 2027. This amendment is intended to ensure that MNE Groups with 52-week or 53-week fiscal years are not excluded from the Transitional UTPR Safe Harbour solely due to differences in fiscal year-end dates.

See EY Global Tax Alert, [Korea's 2026 tax reform proposals would implement key elements of the OECD Pillar Two Side-by-Side Package](#), dated 12 August 2026.

UAE introduces Pillar Two registration

On 4 August 2026, the United Arab Emirates (UAE) Federal Tax Authority (FTA) published Federal Tax Authority [Decision No. 12 of 2026](#) (FTA Decision 12), providing requirements and timelines for the registration and deregistration process for UAE's Domestic Minimum Top-up Tax (DMTT).

Entities subject to UAE's DMTT are required to submit a Top-up Tax registration application within seven months from the end of the first fiscal year in which they become in scope of the Pillar Two rules.

As a transitional measure, entities with a fiscal year ending before 30 April 2026 must submit their registration application no later than 30 November 2026. The Decision also provides requirements for de-registration, and in-scope and out-of-scope notifications.

A Domestic Designated Filing Entity (DDFE) that has been appointed by an in-scope MNE Group in the UAE may submit registration, de-registration and notification filings on behalf of all UAE Constituent Entities or a domestic Joint Venture Group.

United Kingdom releases draft legislation to implement SbS Package

On 13 July 2026, the United Kingdom published the [draft Finance Bill 2026-27](#). The Bill introduces the OECD's SbS package into domestic law, along with some technical amendments to the domestic Pillar Two legislation.

Key changes include the introduction of a Simplified ETR Safe Harbour for fiscal years beginning on or after 31 December 2026, with an option for early election by a year. The SbS Safe Harbour, UPE Safe Harbour and SBTI Safe Harbours would be introduced for fiscal years beginning on or after 1 January 2026.

The Transitional CbCR Safe Harbour has also been extended by a year.

The amendments also propose some modifications to the existing Pillar Two rules. These changes would apply to fiscal years beginning on or after 31 December 2026.

Other developments

G20

On 31 August and 1 September 2026, G20 Finance Ministers and Central Bank Governors met in Asheville, North Carolina, United States. Following the meeting, the G20 Chair issued a statement outlining the group's views on key economic policy priorities and areas for future work. All participating G20 members, except China, agreed with the [statement](#). South Africa did not participate in the meeting.

With respect to tax policy, the statement identified inefficient tax regimes as one of several impediments to robust economic growth and emphasized the importance of promoting tax regimes that support broad-based growth and prosperity. The statement also highlighted the role of domestic resource mobilization in supporting investment, strengthening macroeconomic resilience and fostering sustainable growth.

The G20 Chair's Statement further expressed support for the OECD's ongoing work on the relationship between tax policy and economic performance, stating: "We support the OECD's work on how countries' tax policies and systems impact business dynamism and look forward to an interim report from the OECD by the end of the year."

BRICS

New Delhi Declaration reaffirms BRICS commitment to international tax cooperation

On 12 and 13 September 2026, leaders of BRICS countries (i.e., Brazil, Russia, India, China, and South Africa) met in New Delhi, India, for the 18th BRICS Summit. At the conclusion of the Summit, the leaders adopted the [New Delhi Declaration](#), setting out the group's priorities across a range of economic, financial and development issues. The Declaration reaffirmed the BRICS spirit of mutual respect and understanding, sovereign equality, solidarity, democracy, openness, inclusiveness, collaboration and consensus.

With respect to taxation, the Declaration states that BRICS members reaffirm their commitment to a fair and effective international tax system and closer cooperation on emerging tax challenges. The Declaration reflects BRICS members' continued focus on strengthening tax cooperation, capacity building, and knowledge sharing, while supporting ongoing engagement in international tax initiatives, including the UN Framework Convention on International Tax Cooperation process.

OECD

OECD publishes submissions on proposed revisions to transfer pricing guidance on intra-group service

On 24 August 2026, the OECD [published](#) 140 public comments received on its proposed revisions to Chapter VII of the OECD Transfer Pricing Guidelines (TPG), which provide guidance on intra-group services. The consultation forms part of the OECD work to update and clarify transfer pricing guidance while maintaining consistency with the broader framework of the TPG.

OECD publishes submissions on proposed amendments to Model Reporting Rules for Digital Platforms

On 4 September 2026, the OECD [published](#) the 28 submissions received in response to its consultation on proposed amendments to the Model Reporting Rules for Digital Platforms. No public consultation meeting has been announced. The OECD will review the comments received as it considers the proposed amendments.

BEPS Action 5: Jurisdictions make further progress in addressing harmful tax practices under new review methodology

On 9 September 2026, the OECD [published the latest peer review results](#) on preferential tax regimes under the BEPS Action 5 minimum standard, highlighting jurisdictions' ongoing efforts to address harmful tax practices. The results reflect discussions held at the 65th meeting of the Forum on Harmful Tax Practices (FHTP) held in May 2026. The review cycle also marks the first application of the revised BEPS Action 5 peer review methodology, which introduces a preliminary BEPS impact assessment to determine whether a full legislative review is required.

The FHTP reached new conclusions on 13 preferential tax regimes. Seven regimes across Azerbaijan, Fiji, Japan and Peru were found to be not harmful, while six regimes across Azerbaijan, Malaysia, Peru and Serbia remain under review.

Since the start of the BEPS Project, 347 regimes have been reviewed. The peer review process will continue as part of the OECD's ongoing monitoring of jurisdictions' compliance with the BEPS Action 5 minimum standard.

United Nations

UN releases draft Framework Convention on International Tax Cooperation and two early protocols

On 20 July 2026, the UN released the [Draft Protocol on the Taxation of Income from Cross-Border Services](#) and the [Draft Protocol on the Prevention and Resolution of Tax Disputes](#) as part of the UN Framework Convention on International Tax Cooperation negotiations. These are the first complete draft texts for the two early protocols being developed simultaneously with the Framework Convention. Subsequently, on 21 July 2026, the UN released the [Co-Leads' Draft Framework Convention](#).

The draft texts were discussed during the fifth substantive session of the Intergovernmental Negotiating Committee that took place in New York from 3 to 13 August 2026. Subsequent revisions to the drafts are expected as negotiations continue toward the target of finalizing the Framework Convention and the two early protocols in 2027.

The Co-Leads' Draft Framework Convention reflects further development of the legal, institutional and implementation framework and provides additional detail on how State Parties would operationalize commitments under the Convention. It includes draft provisions on data collection and analysis, implementation and review mechanisms, and the interaction between the Convention, domestic law and existing tax agreements.

The draft protocol on cross-border services would establish a comprehensive framework for allocating taxing rights over income derived from cross-border services. It covers fees for services, automated digital services and insurance premiums, and it generally introduces a shared taxing right that would allow source or market jurisdictions to tax such income with certain limitations.

The draft protocol on dispute prevention and resolution combines a broad range of dispute-prevention mechanisms with procedures for resolving cross-border tax disputes. The draft includes provisions on bilateral and multilateral advance pricing arrangements (APAs), advance rulings, cooperative compliance arrangements, simultaneous and joint audits, mutual agreement procedures (MAPs), mediation, conciliation and arbitration.

See EY Global Tax Alert, [UN releases draft Framework Convention on International Tax Cooperation and two early protocols](#), dated 27 July 2026.

UN Intergovernmental Negotiating Committee advances negotiations on Framework Convention and early protocols during fifth substantive session

From 3 to 13 August 2026, the International Negotiating Committee held its [fifth substantive session](#) in New York to continue negotiations on the UN [Framework Convention on International Tax Cooperation](#) and its two early protocols [on cross-border services](#) and [tax disputes](#). The session marked a shift from conceptual discussions toward more detailed negotiations on the legal design, implementation and operation of the three instruments.

Discussion focus areas included the relationship between the proposed instruments and existing international tax agreements, the allocation of taxing rights, the scope of the future institutional arrangements and the extent to which the new framework should establish binding obligations. Differing views remained on these issues.

The outcomes of the fifth session and written contributions submitted following the session will inform further work ahead of the [sixth substantive session](#), which is scheduled to take place in Nairobi from 30 November to 10 December 2026.

See EY Global Tax Alert, [UN Intergovernmental Negotiating Committee advances negotiations on Framework Convention and early protocols during fifth substantive session](#), dated 28 August 2026.

UN publishes the updated 2025 version of the United Nations Model Tax Convention

The [2025 UN Model Tax Convention](#), published on 28 August 2026, marks a significant shift by removing the phrase “between Developed and Developing Countries” from its title as a way of signaling the model’s relevance to all UN member countries. Central to this update is the new Article 12AA, which replaces older rules to allow a gross withholding tax on payments for all types of services regardless of a provider’s physical presence, alongside an expanded definition of royalties that now includes software payments.

The update further broadens the tax base by introducing Article 5A, which creates a deemed permanent establishment for extractive and renewable energy activities lasting over 30 days, and by expanding source taxation rights to international air and maritime transport and insurance premiums (including reinsurance). Finally, the convention introduces a Subject-to-Tax Rule to prevent low taxation abuses and adds dispute resolution provisions designed to ensure that tax matters are settled through specialized tax treaty mechanisms rather than through broader trade or investment agreements.

UN publishes submissions on draft Framework Convention and protocols

On 2 September 2026, the UN [published](#) submissions received from Member States and stakeholders on the draft United Nations Framework Convention on International Tax Cooperation and two draft protocols covering the taxation of cross-border services and the prevention and resolution of tax disputes.

More than 180 submissions were published across the three workstreams, with 82 submissions relating to the draft Framework Convention, 58 to the draft Protocol on the Taxation of Income from Cross-Border Services, and 43 to the draft Protocol on the Prevention and Resolution of Tax Disputes.

The submissions, together with the outcomes of discussions during the Fifth Session of the Intergovernmental Negotiating Committee, will inform the preparation of revised draft texts. The Sixth Session is scheduled to take place in Nairobi from 30 November to 10 December 2026, with updated draft texts expected to be circulated in advance of the meeting.

European Union

European Commission launches public consultation on Tax Omnibus proposal

On 10 September 2026, the European Commission [launched a public consultation](#) on its proposed Tax Omnibus Directive, inviting stakeholders to provide feedback until 5 November 2026. The proposal, published on 24 June 2026 as part of the EU’s broader tax simplification and competitiveness agenda, would amend six existing EU direct tax directives: the Parent-Subsidiary Directive, Interest and Royalties Directive, Merger Directive, Anti-Tax Avoidance Directive, Tax Dispute Resolution Mechanisms Directive and Faster and Safer Tax Relief of Excess Withholding Taxes Directive. (See EY Global Tax Alert, [The Latest on BEPS and Beyond | July 2026](#), dated 22 July 2026). Feedback may be submitted in free form during the eight-week consultation period.

Although discussions on the proposal have so far attracted limited attention in most Member States, the Dutch Parliament has formally requested closer involvement in the Council negotiations and has asked to be informed of developments and potential compromise texts before the Dutch government adopts final positions.

Following the consultation, the Commission will summarize stakeholder feedback and transmit it to the European Parliament and Council to support the legislative process.

Country developments

Canadian Department of Finance releases draft legislative proposals to amend second package of hybrid mismatch rules

On 23 July 2026, Canada's Department of Finance released draft legislative proposals to amend the second package of hybrid mismatch rules, which address mismatches arising from reverse hybrid arrangements, disregarded payment arrangements, hybrid payer arrangements and imported mismatches.

Among the amendments, the July 2026 proposals would introduce new deeming rules for "ordinary income" to support the operation of the dual inclusion income and investor dual inclusion income framework. Amendments also include a new ordering rule for thin capitalization, restrictions to the certain deemed dividend rules, and a revised double deduction mismatch rule for hybrid payer mismatches.

The proposals generally continue to apply to payments arising on or after 1 July 2026, although amendments giving the thin capitalization rules priority over the hybrid mismatch rules apply to payments arising on or after 23 July 2026.

See EY Global Tax Alert, [Canadian Department of Finance releases draft legislative proposals to amend the second package of hybrid mismatch rules](#), dated 13 August 2026.

Greece publishes list of states with preferential tax regimes for tax year 2024

On 6 August 2026, the Greek Ministry of National Economy and Finance published in the *Government Gazette* ([Issue B' 4941, decision no. A 1160](#)) the list of states considered to have a preferential tax regime for tax year 2024. The decision was signed on 29 July 2026.

Under par. 6b of art. 65 of L. 4172/2013 (Greek Income Tax Code), a jurisdiction is classified as having a preferential tax regime if a legal person or entity is subject to tax on its profits, income or capital at a rate equal to or lower than 60% of the corporate tax rate that would be due under Greek law, had it been a Greek tax resident or maintained a permanent establishment in Greece.

The decision lists 42 jurisdictions. In substance, the list is unchanged from the FY 2023 list (Decision A.1125/2025, Issue B' 4777). The only modification is that Gibraltar is now listed only "until 30 June 2024," reflecting that its corporate rate rose above the 13.2% threshold partway through the year.

The list applies to tax year 2024 and takes effect upon publication in the *Government Gazette*.

Hungary publishes guidance on new transfer pricing documentation and reporting rules

On 9 July 2026, the Hungarian Ministry of Finance published [guidance](#) on transfer pricing documentation and reporting. The guidance explains how to apply Government Decree 45/2025 (XII.23.) of the Ministry for National Economy on Transfer Pricing Documentation and Reporting, which entered into force and has applied from 24 January 2026. This follows the Ministry's earlier public consultation on the new rules in December 2025.

The guidance presents the requirements for transfer pricing documentation and reporting under the new decree. It sets out the documentation and reporting obligations, the taxpayers and transactions concerned, and the grounds for exemption. It then addresses the common rules for the master and local files and the content of each, the simplified local document, the treatment of low value-added services and the rules on aggregation. It further covers the sources to be used, database research with enterprise-grade data, the content of the data reporting, the method of data provision and the relationships between the individual data points to be provided. In doing so, the guidance explains the tax authority's and the Ministry's expectations in areas such as financial data segmentation, benefit-test documentation for intra-group services, the treatment of non-invoiced and free-of-charge transactions, mandatory local benchmarking requirements, and Development, Enhancement, Maintenance, Protection and Exploitation (DEMPE) analysis for intangibles.

The new rules apply to tax years beginning in 2026, with optional early application of the local file rules for the 2025 tax year.

Lithuanian tax authority updates commentary on taxation of controlled foreign companies' positive income

On 10 August 2026, the Lithuanian State Tax Inspectorate issued an [updated commentary](#) to the rules governing the attribution and taxation of the "positive income" of controlled foreign companies (CFCs). The commentary sets out, with worked numerical examples, how the Lithuanian State Tax Inspectorate applies the CFC regime, including (1) the two entry tests; (2) the economic-substance carve-out; (3) the scope of passive income; (4) the mechanics of computing and timing the inclusion; (5) the treatment of direct and indirect control chains, and relief from double taxation via a foreign tax credit and (6) exemption of subsequently distributed dividends.

A Lithuanian entity must include a CFC's positive income in its tax base in proportion to its holding on the last day of the CFC's tax period. Inclusion is required if the CFC is established in a target territory, or its passive income exceeds one-third of total income and its actual profit tax is below 50% of the tax that would arise under Lithuanian rules. A target territory is a foreign state or zone on the list of low-tax or non-cooperative jurisdictions presumed to carry a high tax-avoidance risk. Under the economic substance carve-out, the rules do not apply to CFCs that have employees and assets for genuine economic activity in their state of establishment, except for entities in a target territory.

The underlying rules apply to tax periods beginning in 2019 onward, with the guidance's worked examples illustrating application to the 2025 and 2026 periods.

Luxembourg proposes to extend DAC7 reporting framework to non-EU jurisdictions

On 17 July 2026, the Luxembourg government submitted draft legislation to Parliament proposing amendments to the Luxembourg law of 16 May 2023 on the automatic and mandatory exchange of information reported by platform operators, which transposed Council Directive (EU) 2021/514 (DAC7) into Luxembourg legislation.

Following Luxembourg's signature of the OECD Multilateral Competent Authority Agreement on the Automatic Exchange of Information on Income Derived through Digital Platforms, the proposed legislation would extend the existing DAC7 reporting and exchange of information framework beyond EU Member States. If adopted, platform operators would be required to apply similar due diligence, reporting

and information exchange requirements to sellers residing in participating non-EU jurisdictions as they already apply to sellers residing in the EU.

The proposed legislation distinguishes between jurisdictions applying only the OECD core reporting framework and those applying a broader reporting scope equivalent to DAC7. The jurisdiction concerned would determine the scope of reportable sellers and activities.

The proposed amendments would apply from 1 January 2027.

See EY Global Tax Alert, [Luxembourg proposes to extend DAC7 reporting framework to non-EU jurisdictions](#), dated 14 August 2026.

Malaysia gazettes amendments to its transfer pricing rules with retrospective effect from 2023

On 27 August 2026, the Malaysian Minister of Finance published in the [Official Gazette](#) the Income Tax (Transfer Pricing) (Amendment) Rules 2026, which amend Malaysia's 2023 transfer pricing rules

The amendments introduce limited changes. They refine the wording of the definition of "services" for transfer pricing purposes, and replace the definition of "multinational enterprise group," which now means a group of associated enterprises with business establishments in two or more jurisdictions. In addition, the amendments introduce a corresponding-adjustment mechanism: if the tax authority adjusts the price of a controlled (related-party) transaction and this increases the tax assessment of one party, the other party to that same transaction may obtain a matching balancing adjustment to its own assessment. This relief is not automatic, requiring both a request by that party and the approval of the Director General of Inland Revenue.

The rules apply retrospectively from the 2023 year of assessment. As delegated legislation, they take effect on gazettal and will be laid before Malaysia's lower house of parliament.

Moldova's Ministry of Finance finalizes draft law amending Fiscal Code to transpose four EU direct-tax directives

On 28 August 2026, the Ministry of Finance of the Republic of Moldova [published](#) the finalized draft law amending Fiscal Code no. 1163/1997 in the area of direct taxation, introducing four EU direct-tax directives into Moldovan law.

The measure forms part of Moldova's alignment of national legislation with the EU body of laws in the context of its accession process.

The draft transposes the following four EU directives: (1) Directive 2003/49/EC on interest and royalty payments between associated companies; (2) Directive 2011/96/EC on the common regime for parent companies and subsidiaries; (3) Articles 7 and 8 of Directive (EU) 2016/1164 (ATAD) on CFC rules; and (4) Article 3(1) of Directive (EU) 2017/1852 on tax dispute resolution mechanisms.

The draft was approved by the Government on 8 September and transmitted to Parliament for consideration and adoption. The law is set to enter into force on the date of Moldova's accession to the EU (projected within two to four years).

Netherlands issues updated decree on hybrid mismatches (ATAD2) for corporate income tax purposes

On 24 July 2026, the Dutch tax authorities [published](#) in the *Government Gazette* the Hybrid Mismatches Policy Decree 2026. The updated Decree sets out the Dutch tax authorities' policy positions on the hybrid mismatch measures of the Corporate Income Tax Act 1969, following the implementation of the second EU Anti-Tax Avoidance Directive (ATAD 2, Directive (EU) 2017/952). The ATAD 2 measures counter arrangements that exploit differences in how jurisdictions treat entities, payments, instruments or permanent establishments to obtain a deduction without a corresponding taxable pick-up (deduction without inclusion outcome) or the same cost being deducted twice (double deduction outcome).

The updated decree is largely a clarification but adds several new positions and examples.

- The US global intangible low-taxed income (GILTI) regime - and the US net CFC tested income (NCTI) regime replacing the GILTI regime from 2026 - are not CFC-levies that qualify as "included in a taxable basis" for local tax purposes, due to the shareholder-level taxable base reduction (50% under GILTI, 40% under NCTI) resulting in the income not being fully taxed at US shareholder level at the regular statutory rate. Consequently, the additional US charge neither neutralizes a deduction without inclusion, nor create a double deduction outcome.

- Payments to acquire assets that are capitalized do not fall within the scope of the ATAD 2 rules at that time of payment. However, later depreciation or write-downs of these capitalized expenses may create a double deduction outcome under ATAD 2. While this already applied to fixed assets, the Decree now clarifies that the same treatment would also apply to inventory and equipment.
- A permanent establishment under the Maquiladora regime in Mexico is considered a disregarded permanent establishment for Dutch ATAD 2 purposes. The ultimate result of this is nuanced and should be discussed on a case-by-case basis.
- A permanent establishment's cessation loss does not give rise to a double deduction outcome, as it concerns a loss that can no longer be utilized in that jurisdiction, unless the cessation loss is also deductible in a jurisdiction other than of the former permanent establishment.
- New examples address "double-included income" in structures in which a Netherlands hybrid entity receives a cost-plus remuneration from a foreign principal. These examples were cleared beforehand with the European Commission and may result the ATAD 2 deduction limitation not applying to the cases at hand.

The updated decree replaces the earlier Hybrid Mismatches Decree of 31 October 2022, which is withdrawn as the updated decree takes effect. The updated decree entered into force on 25 July 2026 and is binding for the Dutch tax authorities. As a result, Dutch taxpayers may now rely on these positions and examples in their ATAD 2 analyses for Dutch upcoming tax returns as well as previous tax returns for which the assessment is not yet final and irrevocable. Considering the complexity of the rules, cases should be discussed with a qualified tax advisor.

South African Revenue Service releases final guidance for APA pilot program

On 7 August 2026, the South African Revenue Service (SARS) published six final notices and an external guide to operationalize South Africa's APA pilot program.

The pilot program is limited to bilateral APAs and is initially available to South African-resident taxpayers with standalone turnover exceeding ZAR10b (approximately US\$600m) and qualifying high-value distribution, manufacturing or intragroup services transactions.

The final notices prescribe eligibility, fees, rejection grounds, application-processing requirements, the required content of a preliminary APA and procedures for implementing and operating the bilateral APA system.

Requests to participate may be submitted from 1 September 2026; the framework includes prescribed fees, detailed information requirements, competent-authority engagement and ongoing compliance obligations.

See EY Global Tax Alert, [South African Revenue Service releases final guidance for APA pilot program](#), dated 12 August 2026.

Vietnam's Ministry of Finance issues new Circular consolidating guidance on tax treaties, MAP and APAs

On 1 July 2026, the Ministry of Finance of Vietnam issued [Circular 95/2026/TT-BTC](#), which took effect the same day. The Circular consolidates into a single framework the guidance on the application of double taxation agreements (DTAs), the MAP for resolving treaty-related disputes, and APAs for related-party transactions; it also covers exchange of information and assistance in tax collection.

The Circular tightens and clarifies the conditions for treaty relief. Benefits may not be granted on income derived more than three years before a complete dossier is filed. It states that DTAs are not intended to create opportunities

for non-taxation in both Contracting States, reflecting the anti-abuse principles of the Base Erosion and Profit Shifting (BEPS) Multilateral Instrument (MLI), and it places greater weight on beneficial ownership and economic substance over formal documentation. It also treats an e-commerce or digital platform through which a foreign enterprise supplies goods or services in Vietnam as a permanent establishment, updates the definition of immovable property (to include land use and lease rights and future real estate), and confirms that Vietnamese withholding tax on dividends, interest, royalties and technical service fees may not exceed the applicable treaty rate for beneficial owners resident in a treaty partner.

In addition, the Circular sets clearer timelines and required outcomes for handling MAPs, APAs and treaty issues, allows greater taxpayer engagement, and confirms that a MAP request does not automatically suspend domestic tax obligations. Taxpayers may now propose APA coverage for up to five tax years, although a signed APA remains valid for a maximum of three. MAP and APA applications must generally be filed electronically, with a valid digital signature and in the prescribed data format, in line with Vietnam's digital tax administration agenda.

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EYG no. 114146-26-GBL

1508-1600216 NY
ED None

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